

S
378.106
L72EMK
1983

PLEASE RETURN

STATE OF MONTANA
EASTERN MONTANA COLLEGE
KEMC-FM RADIO
REPORT ON AUDIT
Conducted Under Contract By
Smith, Birkeland & Co.
Certified Public Accountants
Fiscal Year Ended June 30, 1983

STATE DOCUMENTS COLLECTION

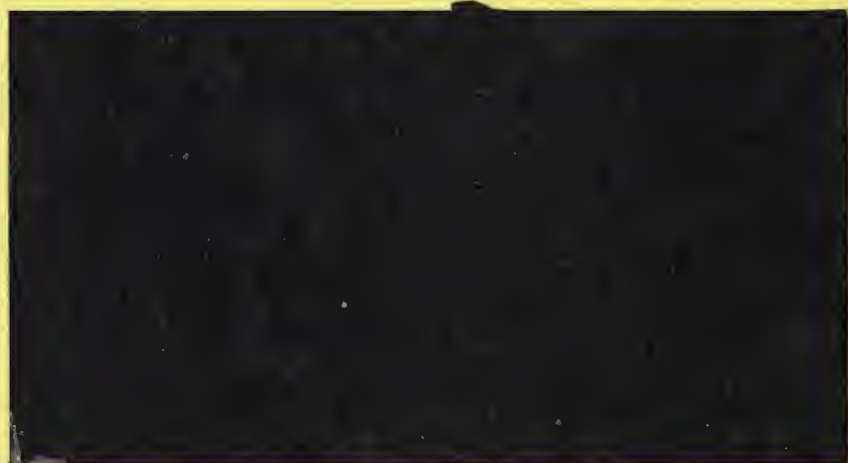
JAN - 8 1986

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MONTANA
STATE CAPITOL • HELENA



Handwritten text in the bottom left corner, possibly a signature or initials, appearing to read "J. H. [unclear]" and "1910".

MONTANA STATE LIBRARY
S 351.7232 L72emk 1983 c.1
State of Montana, Eastern Montana Colleg



3 0864 00053161 9

STATE OF MONTANA

EASTERN MONTANA COLLEGE
KEMC-FM RADIO

REPORT ON AUDIT

Conducted Under Contract By
Smith, Birkeland & Co.
Certified Public Accountants
Fiscal Year Ended June 30, 1983



Digitized by the Internet Archive
in 2012 with funding from
Montana State Library

<http://archive.org/details/stateofmontanaea8302smit>

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122



ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

October 1983

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLET
FINANCIAL/COMPLIANCE AUDITS

SCOTT A. SEACAT
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Eastern Montana College
KEMC-FM Radio Station for the year ended June 30, 1983.

The audit was conducted by Smith, Birkeland and Company, under a
contract between the firm and our office. The comments and recom-
mendations contained in this report represent the views of the firm
and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Robert R. Ringwood".
Robert R. Ringwood
Legislative Auditor

	<u>Page</u>
Appointive and Administrative Officials	1
Report of Certified Public Accountants	2
Balance Sheet	3
Statement of Financial Activity and Changes in Fund Balances	4
Statement of Changes in Financial Position	5
Notes to Financial Statements	6 - 7
Report on Internal Controls	8 - 10
Summary of Auditors' Recommendations	11
Eastern Montana College's Response to Auditors' Recommendations	12 - 14
Resolution of Prior Auditors' Recommendations	15

EASTERN MONTANA COLLEGE
Board of Regents and Principal Officials

Board of Regents

Ex Officio Members:

The Honorable Ted Schwinden	Governor of the State of Montana
Ed Argenbright	Superintendent of Public Instruction
Dr. Irving Dayton	Commissioner of Higher Education

Appointed Members:

Jeffrey B. Morrison, Chairperson	Helena
Beatrice McCarthy	Anaconda
Burt L. Hurwitz	White Sulphur Springs
Robert Knight	Missoula
Mary Pace	Bozeman
Elsie Redlin	Lambert
Darla Keck, Student Regent	Havre

Local Executive Board

V. Eugene Cetrone, Chairperson
Vera Gerke
Vic Miller

Principal Administrative Officials

Dr. Bruce H. Carpenter	President
Dr. Samuel H. Rankin, Jr.	Academic Vice President
Kenneth W. Heikes, CPA	Administrative Vice President
Dr. Lowell Dunlop	Dean of Students

Principal Financial Officials

Donald E. Fox, CPA	Controller/Budget Officer
Mary K. Thompson, CPA	Assistant Controller/Bursar
Monte Brown, CPA	Accountant-Current Unrestricted
Kathleen Hicks, CPA	Accountant-SBAS
Mary Olson	Accountant-Loan Funds
Shelly Zimmerman	Accountant-Grants and Contracts

SMITH, BIRKELAND & CO.

DUANE E. SMITH, CPA

C. W. "Chet" BIRKELAND, CPA

CERTIFIED PUBLIC ACCOUNTANTS

200 NORTH 34TH STREET
BILLINGS, MONTANA 59101

Telephone 252-5111

The Legislative Audit Committee
of the Montana State Legislature

We have examined the balance sheet of KEMC-FM RADIO (a public telecommunications entity operated by Eastern Montana College) as of June 30, 1983, and the related statements of financial activity and changes in fund balances, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of KEMC-FM RADIO for the year ended June 30, 1982, were examined by other auditors whose report dated September 2, 1982, expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly the financial position of KEMC-FM RADIO as of June 30, 1983, and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

In connection with our examination, nothing came to our attention that caused us to believe that the Board of Regents of Higher Education and Eastern Montana College were not complying with applicable state and federal laws and regulations.

Smith, Birkeland & Co.

October 7, 1983

	<u>Operating Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$ 5,025	\$ -
Federal securities - at cost (market value \$25,000 at June 30, 1982)	-	-
Grants receivable	16,032	24,000
Due from other funds	-	9,119
Total current assets	<u>21,057</u>	<u>33,119</u>
<u>Property and Equipment</u>		
Transmitter, antenna, and tower	-	-
Satellite dish	-	-
Studio and broadcasting equipment	-	-
Furniture and fixtures	-	-
Total property and equipment	-	-
Less accumulated depreciation	-	-
Net property and equipment	-	-
Total assets	\$ <u>21,057</u>	\$ <u>33,119</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>Current Liabilities</u>		
Cash overdraft	\$ -	\$ 24,943
Due to other funds	9,119	-
Accrued expenditures	-	1,693
Deferred revenues - unexpended grants (Note 2)	-	6,483
Total current liabilities	<u>9,119</u>	<u>33,119</u>
<u>Fund Balances</u>		
Unrestricted	11,938	-
Restricted	-	-
Net investment in property and equipment	-	-
Total fund balances	<u>11,938</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>21,057</u>	\$ <u>33,119</u>

KEMC-FM RADIO
Billings, Montana

BALANCE SHEET
June 30, 1983

<u>Friends of KEMC, Inc. (Note 1)</u>	<u>Property Fund</u>	<u>1983 Total</u>	<u>1982 Total</u>
\$ 36,743	\$ -	\$ 41,768	\$ 20,213
-	-	-	24,473
-	-	40,032	55,750
-	-	9,119	-
<u>36,743</u>	<u>-</u>	<u>90,919</u>	<u>100,436</u>
-	48,376	48,376	39,826
-	13,349	13,349	-
-	105,556	105,556	50,891
-	845	845	845
-	168,126	168,126	91,562
-	31,331	31,331	21,846
-	136,795	136,795	69,716
\$ <u>36,743</u>	\$ <u>136,795</u>	\$ <u>227,714</u>	\$ <u>170,152</u>
\$ -	\$ -	\$ 24,943	\$ -
-	-	9,119	-
-	-	1,693	332
-	-	6,483	69,720
-	-	<u>42,238</u>	<u>70,052</u>
-	-	11,938	30,384
36,743	-	36,743	-
-	136,795	136,795	69,716
<u>36,743</u>	<u>136,795</u>	<u>185,476</u>	<u>100,100</u>
\$ <u>36,743</u>	\$ <u>136,795</u>	\$ <u>227,714</u>	\$ <u>170,152</u>

The accompanying notes are an integral part of these financial statements

	<u>Operating Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
<u>Support and Revenue</u>		
General appropriation from Eastern Montana College	\$ 43,171	\$ -
Donated personal services of volunteers	13,200	-
Administrative support of Eastern Montana College	34,527	-
Donated professional services and other - In-kind contributions	25,461	-
Donated materials - In-kind contributions	64	-
P.T.F.P. Grant (Note 2)	-	25,450
N.T.I.A. Facilities Grant (Note 2)	-	23,517
C.P.B. Radio Expansion Grant (Note 2)	-	40,683
C.P.B. Community Service Grant (Note 3)	16,032	-
Contributions	7,919	-
Subscriptions and membership income	15,474	-
Investment income	<u>1,360</u>	<u>4,117</u>
Total support and revenue	<u>157,208</u>	<u>93,767</u>
<u>Expenses</u>		
Program services -		
Programming and production	57,912	30,305
Broadcasting	14,112	9,506
Program information	<u>4,461</u>	<u>-</u>
Total program services	<u>76,485</u>	<u>39,811</u>
Supporting services -		
Management and general	32,002	4,567
Fund raising	25,010	1,160
Administrative support of Eastern Montana College	<u>34,527</u>	<u>-</u>
Total supporting services	<u>91,539</u>	<u>5,727</u>
Total expenses	<u>168,024</u>	<u>45,538</u>
Support and revenue over (under) expenses	(10,816)	48,229
Fund balances, beginning of year	30,384	-
<u>Transfers</u>		
Equipment acquisitions	(23,630)	(48,229)
Between funds	<u>16,000</u>	<u>-</u>
Fund balances, end of year	\$ <u><u>11,938</u></u>	\$ <u><u>=====</u></u>

STATEMENT OF FINANCIAL ACTIVITY AND CHANGES IN FUND BALANCES
June 30

<u>Friends of KEMC, Inc. (Note 1)</u>	<u>Property Fund</u>	<u>1983 Total</u>	<u>1982 Total</u>
\$ -	\$ -	\$ 43,171	\$ 37,042
-	-	13,200	6,300
-	-	34,527	18,733
35	-	25,496	25,346
-	-	64	5,611
-	-	25,450	800
-	-	23,517	-
-	-	40,683	18,317
-	-	16,032	-
58,299	-	66,218	41,444
-	-	15,474	14,245
<u>1,231</u>	<u>-</u>	<u>6,708</u>	<u>-</u>
<u>59,565</u>	<u>-</u>	<u>310,540</u>	<u>167,838</u>
-	-	88,217	39,021
176	9,485	33,279	14,870
-	-	4,461	15,672
<u>176</u>	<u>9,485</u>	<u>125,957</u>	<u>69,563</u>
663	-	37,232	50,325
1,278	-	27,448	551
-	-	34,527	18,733
<u>1,941</u>	<u>-</u>	<u>99,207</u>	<u>69,609</u>
<u>2,117</u>	<u>9,485</u>	<u>225,164</u>	<u>139,172</u>
57,448	(9,485)	85,376	28,666
-	69,716	100,100	71,434
(4,705)	76,564	-	-
<u>(16,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u><u>36,743</u></u>	\$ <u><u>136,795</u></u>	\$ <u><u>185,476</u></u>	\$ <u><u>100,100</u></u>

The accompanying notes are an integral part of these financial statements

	<u>Operating Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
<u>Financial Resources Were Provided By</u>		
Support and revenue over (under) expenses	\$ (10,816)	\$ 48,229
Add item not requiring cash outlay -		
Depreciation	-	-
Increase in accrued expenditures	-	1,693
Increase in due to other funds	9,119	-
Increase in deferred revenues	-	-
Transfer from other funds	16,000	-
Cost of federal securities sold	24,473	-
Decrease in grants receivable	-	<u>31,750</u>
Financial resources provided	<u>38,776</u>	<u>81,672</u>
 <u>Financial Resources Were Used By</u>		
Increase in grants receivable	16,032	-
Increase in due from other funds	-	9,119
Purchase of federal securities	-	-
Additions to property and equipment	23,630	48,229
Transfer to other funds	-	-
Decrease in due to other funds	-	-
Decrease in accrued expenditures	332	-
Decrease in deferred revenue	-	<u>63,237</u>
Financial resources used	<u>39,994</u>	<u>120,585</u>
 Increase (decrease) in cash	(1,218)	(38,913)
Cash, beginning of year	<u>6,243</u>	<u>13,970</u>
Cash, end of year	\$ <u><u>5,025</u></u>	\$ <u><u>(24,943)</u></u>

STATEMENT OF CHANGES IN FINANCIAL POSITION
June 30

<u>Friends of KEMC, Inc. (Note 1)</u>	<u>Property Fund</u>	<u>1983 Total</u>	<u>1982 Total</u>
\$ 57,448	\$ (9,485)	\$ 85,376	\$ 28,666
-	9,485	9,485	6,946
-	-	1,693	332
-	-	9,119	-
-	-	-	69,720
-	-	16,000	4,220
-	-	24,473	-
-	-	31,750	-
<u>57,448</u>	<u>-</u>	<u>177,896</u>	<u>109,884</u>
-	-	16,032	55,750
-	-	9,119	-
-	-	-	24,473
4,705	-	76,564	1,290
16,000	-	16,000	4,220
-	-	-	4,220
-	-	332	-
-	-	63,237	-
<u>20,705</u>	<u>-</u>	<u>181,284</u>	<u>89,953</u>
36,743	-	(3,388)	19,931
-	-	20,213	282
\$ <u><u>36,743</u></u>	\$ <u><u>=====</u></u>	\$ <u><u>16,825</u></u>	\$ <u><u>20,213</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS
June 30, 1983

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below.

Organization including Friends of KEMC, Inc. -

KEMC-FM RADIO is operated by Eastern Montana College, Billings, Montana. The financial statements include the accounts of Friends of KEMC, Inc., a non-profit entity incorporated in Montana and Wyoming. Friends of KEMC, Inc. solicits funds in the name of and with the approval of KEMC. Funds are distributed by Friends of KEMC, Inc. to the Station in amounts determined by the Board of Directors of Friends of KEMC, Inc. The timing and the purpose for which such distributions are to be used are controlled by Friends of KEMC, Inc. Friends of KEMC, Inc. began its operations July 1, 1982.

Fund Accounting -

The assets, liabilities, and fund balances of the Station are reported in self-balancing fund groups as follows:

- Operating funds include unrestricted and restricted resources that are available for support of the Station's operations.
- Friends of KEMC, Inc. includes resources restricted for use by that organization for the benefit of the Station.
- The property fund includes resources invested in property and equipment.

Revenue Recognition -

Contributions, pledges, and grants that are unrestricted are recorded as revenue in the statement of activity when received.

The principal restricted revenues of the Station are grants for the expansion of facilities and broadcast coverage. Such grants are recorded on the balance sheet as deferred support until the funds are expended. At such time as the funds are expended, the applicable amounts are included as revenues and expenses in the statement of activity.

Property and Equipment -

Fixed assets are recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to operating expense as incurred.

NOTES TO FINANCIAL STATEMENTS
June 30, 1983

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions -

Administrative support from Eastern Montana College consists of an allocation of certain departmental costs and other expenses incurred by the College on behalf of the Station and are recorded in revenue and expense at estimated values per C.P.B. guidelines.

Donated personal services, professional services, and materials are recorded as revenue and expense in the accompanying statement of activity based upon standard valuation rates and estimated fair values.

NOTE 2 - DEFERRED REVENUE

	P.T.F.P. (1)	N.T.I.A. (2)	C.P.B. (3)	Total
Total grant	\$ 26,250	\$ 30,000	\$ 59,000	\$ 115,250
Add: investment income	-	-	4,117	4,117
Less: funds previously recognized as revenue	800	-	18,317	19,117
Less: funds recognized as revenue during the year	<u>25,450</u>	<u>23,517</u>	<u>44,800</u>	<u>93,767</u>
Balance at end of year	\$ <u>=====</u>	\$ <u>==6,483</u>	\$ <u>=====</u>	\$ <u>==6,483</u>

- (1) Public Telecommunications Facilities Program (P.T.F.P.) Grant awarded the National Telecommunications and Information Administration, to allow KEMC to purchase a statellite dish.
- (2) National Telecommunications and Information Administration (N.T.I.A.) Grant to allow KEMC to purchase translators and dissemination equipment.
- (3) Corporation for Public Broadcasting (C.P.B.) Radio Expansion Grant to allow KEMC to expand its broadcast coverage.

NOTE 3 - C.P.B. COMMUNITY SERVICE GRANT

The Station has been awarded an unrestricted Community Service Grant in the amount of \$16,032. The grant runs from May 1983 through September 1984. No grant funds had been expended at June 30, 1983.

NOTE 4 - PRIOR YEAR FINANCIAL STATEMENTS

The financial information shown for 1982 in the accompanying financial statements is included to provide a basis for comparison with 1983 and presents summarized totals only.

SMITH, BIRKELAND & CO.

DUANE E. SMITH, CPA C. W. "Chet" BIRKELAND, CPA

CERTIFIED PUBLIC ACCOUNTANTS

200 NORTH 34TH STREET
BILLINGS, MONTANA 59101

Telephone 252-5111

EASTERN MONTANA COLLEGE
Billings, Montana

We have examined the financial statements of KEMC-FM RADIO (a public telecommunications entity operated by Eastern Montana College) for the year ended June 30, 1983, and have issued our report thereon dated October 7, 1983. As a part of our examination, we made a study and evaluation of the Station's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Station's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Eastern Montana College and the Board of Directors of Friends of KEMC, Inc. are responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of KEMC-FM RADIO taken as a whole. However, our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of KEMC-FM RADIO may occur and not be detected within a timely period.

Friends of KEMC, Inc.

Good internal control requires the segregation of certain duties. The organizational structure of Friends of KEMC, Inc. does not presently permit adequate segregation of duties. In these circumstances, the Board of Directors direct knowledge of the organization's operations embodies the most effective controls.

Cash Disbursements

Several expenditures made by the Friends of KEMC - Miles City were paid with cash rather than by checks drawn on the organization's bank account. Payments with cash do not allow for adequate control of funds and this represents a weakness in internal control. All payments should be made by checks drawn on the organization's bank account.

Donations Received

A record of pledges and copies of pledge reminders are maintained by the station manager for control over donations subsequently received. However, all mail addressed to KEMC-FM and Friends of KEMC, Inc. is placed in the station manager's campus mail box. The station manager has access to any donations received in the mail before they can be taken to the EMC Business Office or to the Treasurer of Friends of KEMC, Inc. to be recorded and deposited. This represents a weakness in internal control. All donations received should first be recorded and deposited by an individual not having other accounting duties or having access to the lists of pledged donations. A record of the donations received may then be sent to the station manager for comparison to the list of pledges. To improve control over pledges, the preprinted pledge reminders should also be prenumbered.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the Station's financial statements, and this report does not affect our report on these financial statements dated October 7, 1983.

Other matters which came to our attention are discussed below for your management consideration.

Financial Records of Friends of KEMC, Inc.

Friends of KEMC, Inc. provide direct financial support to KEMC-FM RADIO which is operated by Eastern Montana College; and since the financial activity of the Friends is included in the financial statements of KEMC, it would seem appropriate that the financial records of Friends of KEMC, Inc. be under the stewardship of a College official. It would be preferable if the Treasurer of Friends of KEMC, Inc. was a financial officer of the College.

October 7, 1983

Preparation of Periodic Reports

Periodic reports required to meet the terms of grant awards, including the Annual Financial Report required by the Corporation for Public Broadcasting, often necessitate the classification of financial information differently from that reported by the College's accounting system. In order to facilitate the preparation of these reports, the College should maintain lead-schedules, filed in chronological order, that reconcile the information contained in the reports to the information reported by the College's accounting system.

The preceding paragraphs are intended solely for the use of management, the Corporation for Public Broadcasting, and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon acceptance by the Legislative Audit Committee, is a matter of public record.

We wish to take this opportunity to express our appreciation for the cooperation and assistance we received from the College during the course of our audit. If any questions arise, please call us.

Smith, Birkeland & Co

October 7, 1983

SUMMARY OF AUDITORS' RECOMMENDATIONS

June 30, 1983

1. Cash Disbursements

All payments should be made by checks drawn on the organization's bank account.

2. Donations Received

All donations received should first be recorded and deposited by an individual not having other accounting duties or having access to the lists of pledged donations.

Preprinted pledge reminders should also be prenumbered.

3. Financial Records of Friends of KEMC, Inc.

It would be preferable if the Treasurer of Friends of KEMC, Inc. was a financial officer of the College.

4. Preparation of Periodic Reports

The College should maintain lead-schedules, filed in chronological order, that reconcile the information contained in the reports to the information reported by the College's accounting system.



Jim Mourich, CPA
Smith Birkeland & Co.
Certified Public Accountants
200 North 34th
Billings, MT 59101

RE: KEMC-FM Audit

Dear Jim:

The college's response to your audit comments and recommendations follow:

1) Friends of KEMC, Inc.

Good internal control requires the segregation of certain duties. The organizational structure of Friends of KEMC, Inc. does not presently permit adequate segregation of duties. In these circumstances, the Board of Directors direct knowledge of the organization's operations embodies the most effective controls.

The college concurs.

The Friends of KEMC, Inc. is comprised of many dedicated and public spirited people. These people volunteer their time, service and resources to the operation of KEMC. The college agrees that the involvement of these people promotes effective internal control. In addition to the Billings station, KEMC-FM has translators located and operating in the following communities in Montana: Hardin, Colstrip, Columbus, Lewistown, Bozeman, Livingston, and Miles City and in Sheridan and Cody, Wyoming.

2) Cash Disbursements

Several expenditures made by the Friends of KEMC -Miles City were paid with cash rather than by checks drawn on the organization's bank account. Payments with cash do not allow for adequate control of funds and this represents a weakness in internal control. All payments should be made by checks drawn on the organization's bank account.

The college concurs.

Friends of KEMC - Miles City was organized by interested persons in that area. During the organization, one of the supporters used his personal funds to pay for expenses. This individual considered his expenditures to be a contribution.

Friends of KEMC - Miles City is being consolidated with the Friends of KEMC group. Contributions will be forwarded to and recorded by the Friends of KEMC.

3) Donations Received

A record of pledges, and copies of pledge reminders are maintained by the station manager for control over donations subsequently received. However, all mail addressed to KEMC-FM and Friends of KEMC, Inc. is placed in the station manager's campus mail box. The station manager has access to any donations received in the mail before they can be taken to the EMC Business Office or to the Treasurer of Friends of KEMC, Inc. to be recorded and deposited. This represents a weakness in internal control. All donations received should first be recorded and deposited by an individual not having other accounting duties or having access to the lists of pledged donations. A record of the donations received may then be sent to the station manager for comparison to the list of pledges. To improve control over pledges, the preprinted pledge reminders should also be prenumbered.

The college conditionally concurs.

Funds are received through the mail for unsolicited donations, for payments of pledged donations and for underwriting support. Presently these payments are addressed to a campus postal box under the control of the Station Manager. The manager opens the mail and sorts the receipts for appropriate action. Donations may require the delivery of premiums associated with the gift. Following this sorting, the funds are forwarded to the Friends of KEMC for acknowledgment and deposit. Checks received for underwriting support are forwarded to the Campus cashier for deposit.

It would require a significant increase in staffing to assign the duties to someone outside the KEMC organization. The college has weighed the advantages versus the cost of this recommendation and will modify its present procedure by using prenumbered pledge reminders. Also, when the college's computerized accounts receivable and billing system is implemented, invoices for underwriting support can be segregated and recorded as recommended.

4) Financial Records of Friends of KEMC, Inc.

Friends of KEMC, Inc. provide direct financial support to KEMC-FM RADIO which is operated by Eastern Montana College; and since the financial activity of the Friends is included in the financial statements of KEMC, it would seem appropriate that the financial records of Friends of KEMC, Inc. be under the stewardship of a College official. It would be preferable if the Treasurer of Friends of KEMC, Inc. was a financial officer of the College.

The college concurs.

The relationship between the Friends of KEMC Inc. and Eastern Montana College is contractual. The college will negotiate with the Friends of KEMC, Inc. to effectuate the recommendation.

5) Preparation of Periodic Reports

Periodic reports required to meet the terms of grant awards, including the Annual Financial Report required by the Corporation for Public Broadcasting, often necessitate the classification of financial information differently from that reported by the College's accounting system. In order to facilitate the preparation of these reports, the College should maintain lead-schedules, filed in chronological order, that reconcile the information contained in the reports to the information reported by the College's accounting system.

The college concurs.

The Statewide Budgeting and Accounting System (SBAS) is not capable of providing programatic accounting within a particular responsibility center. Therefore, the college must analyze each expenditure with supplemental documentation to prepare the report in the format required by the Corporation for Public Broadcasting. The college agrees with the recommendation to expand the analysis of expenditures so that individual transactions can be presented in auditable form.

Sincerely,



Kenneth W. Heikes
Administrative Vice President

cc: Bruce Carpenter, President
Eastern Montana College

Jack Noble, Deputy Commissioner for Management
and Fiscal Affairs

Don Fox, Controller
Eastern Montana College

Robert R. Ringwood
Legislative Auditor

RESOLUTION OF PRIOR AUDITORS' RECOMMENDATIONS
June 30, 1983

Donations Received

See current year recommendation number 2 on page 11.

Classification of Expenditures

See current year recommendation number 4 on page 11.

